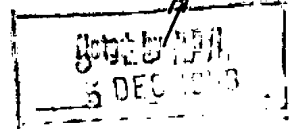


4 December 1958



MEMORANDUM FOR THE DIRECTOR

SUBJECT: NIE Treatment of US Aid to Foreign Countries

1. Discussion of US foreign aid and its effects has not, as a rule, been the subject of specific National Intelligence Estimates.* However, aspects of this subject have been treated extensively in relationship to larger topics. Thus, for example, the significance of US economic and military assistance to the Republic of Korea was prominently featured in the last published Estimate (NIE 42.1-58, 28 January 1953) on that country, but it was done so within the context of the over-all outlook for stability.

2. More specifically, the NIE's have handled US aid in the following ways: statistically and factually, in order to provide necessary background information; analytically, in terms of past and present impact of such aid; and estimatively, in an attempt to gauge probable future reactions to US assistance, or lack of assistance.

* There are two exceptions to this rule, both Special Estimates. One was published in 1952 (SE 31: "Consequences of the Termination, Under the Latté Act, of US Aid to Denmark," 3 July 1952) and the other in 1954 (SNIE 50-54: "The probable Repercussions of a US Decision to Grant or Deny Military Aid to Pakistan," 15 January 1954).

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The nature of the aid -- economic or military -- and its effects -- economic, military, political, local or international -- are given consideration as appropriate. The precise amount of space allocated to such discussion in an individual estimate depends, of course, on the area involved and the specific subject matter under examination.

3. Attached is an Annex which seeks to give concrete examples of the various ways in which past NIE's have dealt with the question.

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ANNEX: Examples of Treatment of US Aid in Selected, Recent NIE's

1. Current Economic and/or Military Significance of US Aid:

a. In Korea: "The (ROK) Air Force is wholly dependent upon the US for its aircraft, POL, electronic equipment, and weapons." (Para. 41, NIE 42.1-58: "The Outlook for Stability in the Republic of Korea," 28 January 1958).

b. In Spain: "Inflation is serious, foreign exchange reserves are nearing exhaustion, and economic stability is now dependent, among other factors, upon the continuance of US aid." (Para. 2, NIE 27.1-58: "The Outlook for Spain," 20 May 1958).

2. Current Political Significance of US Aid:

a. In Poland: "While we do not believe that a continuation of this (US) aid at roughly present level...will basically alter either the Polish economy or the political convictions of the Polish leaders, it is valuable to the regime in its relations with the USSR and its own subjects as well as useful economically." (Para. 55, NIE 12.6-58 "The Outlook in Poland," 16 September 1958).

b. In Guatemala: "Good relations with the US will continue to be the cardinal element in (President) Ydigoras' foreign policy,

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if only because of the importance of continued US assistance to the success of his administration." (Para. 27, NIS 82-58; "The Outlook for Guatemala," 29 April 1958).

3. Estimates Concerning US Aid:

a. In re Libya: "Should US aid proposals fall substantially short of Libyan expectations the Libyans would probably seek to revive US concern that they would turn to Egypt and the USSR for aid. It is unlikely that they would actually accept substantial aid from these nations unless they concluded that US aid would be wholly inadequate." (Para. 14, SNIE 36.4-57, "US Prospects in Libya Over the Next Few Years," 7 May 1957).

b. In re Yugoslavia: "Complete withdrawal of American economic aid and moral support would weaken Tito's ability to maintain his independence.... It would also deprive the US of much of its leverage on Tito's future moves." (Para. 37, SNIE 31/1-57: "Yugoslavia's International Position," 19 November 1957).

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